

**THE ARC OF ST. MARY**  
Centerville, Louisiana

**Financial Report**

**Year Ended June 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The ARC of St. Mary  
Centerville, Louisiana

We have audited the accompanying statement of financial position of The ARC of St. Mary (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The ARC of St. Mary's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Mary as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012 on our consideration of The ARC of St. Mary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Kolder, Champagne, Slaven & Company, LLC**  
Certified Public Accountants

Morgan City, Louisiana  
December 31, 2012

THE ARC OF ST. MARY  
Centerville, Louisiana

Statement of Financial Position  
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 259,398
Receivables	
Due from other agencies	16,970
Prepaid insurance	<u>3,394</u>
Total current assets	<u>279,762</u>

Capital assets:

Capital assets not being depreciated	
Construction in progress	<u>37,060</u>
Capital assets being depreciated	
Buildings and improvements	125,280
Furniture and equipment	86,680
Vehicles	<u>176,087</u>
	388,047
Less: accumulated depreciation	<u>(346,558)</u>
	41,489
Total capital assets	<u>78,549</u>
Total assets	<u>\$ 358,311</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 7,673
Accrued and withheld payroll taxes	4,423
Deferred revenue	<u>2,285</u>
Total current liabilities	<u>14,381</u>

Net assets:

Unrestricted net assets	<u>343,930</u>
Total liabilities and net assets	<u>\$ 358,311</u>

*The accompanying notes are an integral part of these financial statements.*

THE ARC OF ST. MARY  
Centerville, Louisiana

Statement of Activities  
Year Ended June 30, 2012

	<u>Unrestricted</u>
SUPPORT AND REVENUE:	
Support:	
Appropriations from state and local governments	\$ 41,060
Contributions	18,700
Total support	<u>59,760</u>
Revenue:	
Program service fees	48,018
Membership fees	2,961
Medicaid/Medicare	252,583
Other	5,931
Total revenue	<u>309,493</u>
Total support and revenue	<u>369,253</u>
EXPENSES:	
Program services:	
Adult habilitation	278,794
Support services:	
General and administrative	51,853
Total expenses	<u>330,647</u>
Change in net assets	38,606
Net assets, beginning of year	<u>305,324</u>
Net assets, end of year	<u>\$ 343,930</u>

*The accompanying notes are an integral part of these financial statements.*

THE ARC OF ST. MARY  
Centerville, Louisiana

Statement of Cash Flows  
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 38,606
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	20,259
Recognition of deferred revenue	(37,060)
Increase in accounts receivable	(12,331)
Increase in accounts payable and accrued expenses	4,196
Net cash provided by operating activities	<u>13,670</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Construction of fixed assets	<u>(37,060)</u>
Net cash used by financing activities	<u>(37,060)</u>
Net decrease in cash	(23,390)
Cash and cash equivalents, beginning of year	<u>282,788</u>
Cash and cash equivalents, end of year	<u>\$ 259,398</u>

*The accompanying notes are an integral part of these financial statements.*

THE ARC OF ST. MARY  
Centerville, Louisiana

Statement of Functional Expenses  
Year Ended June 30, 2012

	Program Services <u>Adult Habilitation</u>	General and Administrative	Total Expenses
Salaries	\$ 168,251	\$ 18,695	\$ 186,946
Payroll taxes	12,926	1,436	14,362
Total salaries and related expenses	181,177	20,131	201,308
Conference and meetings	636	-	636
Dues	-	2,000	2,000
Insurance	29,859	1,680	31,539
Office expense	3,916	400	4,316
Postage	-	318	318
Professional fees	3,969	5,350	9,319
Program service supplies	10,014	-	10,014
Repairs and maintenance	4,842	538	5,380
Supplies	2,216	246	2,462
Telephone	2,072	230	2,302
Thrift store occupancy	530	-	530
Thrift store rent	9,000	-	9,000
Transportation	19,285	-	19,285
Utilities	10,855	663	11,518
Miscellaneous	423	38	461
Total expenses before depreciation	278,794	31,594	310,388
Depreciation expense	-	20,259	20,259
	<u>\$ 278,794</u>	<u>\$ 51,853</u>	<u>\$ 330,647</u>

*The accompanying notes are an integral part of these financial statements.*

THE ARC OF ST. MARY  
Centerville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of activities

The ARC of St. Mary ("ARC") operates a non-profit day vocation program located in Centerville, Louisiana. The ARC provides adult day services to developmentally disabled adults in St. Mary Parish. Individuals perform a wide variety of vocational activities such as recycling, horticultural and janitorial services. The ARC is supported primarily through Medicare/Medicaid waiver and support reimbursements from the Louisiana Department of Health and Hospitals - Office for Citizens with Developmental Disabilities.

B. Income tax status

The ARC is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2012 there were no cash equivalents.

E. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

F. Property and equipment

Property and equipment are capitalized at purchased cost. Donated property and equipment is capitalized at its fair value on the date of the donation. It is the ARC's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.



THE ARC OF ST. MARY  
Centerville, Louisiana

Notes to Financial Statements (continued)

Depreciation is computed using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 40
Furniture and equipment	5 - 10
Vehicles	5

G. Contributed services

The ARC receives volunteer services from individuals throughout the year performing a variety of tasks that assist the ARC at the center. Consistent with generally accepted accounting principles for not-for-profit organizations, the value of contributed services by unpaid volunteers is not reflected on these statements because the services received did not enhance non-financial assets and the organization would not pay for these services if they were not donated.

H. Financial statement presentation

The ARC has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the ARC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the ARC is required to present a statement of cash flows.

I. Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

J. Support and revenue

The ARC receives Medicare/Medicaid payments for billable client services. Revenues for these services are recorded when earned.

THE ARC OF ST. MARY  
Centerville, Louisiana

Notes to Financial Statements (continued)

K. Program revenue

The ARC receives program service fees from janitorial services, recycling programs, and selling of second hand items. Support and revenue are recognized when earned.

(2) Due From other Agencies

As of June 30, 2012, amounts due from other agencies were comprised of:

Medicaid/Medicare:

Louisiana Department of Health and Hospitals	<u>\$ 16,970</u>
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(3) Contingent Liabilities

The ARC receives grants and funding from governmental agencies that are subject to review and audit by the agencies providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants and agreements. In the opinion of management, such disallowances, if any, would be immaterial.

(4) Subsequent Events

Management has evaluated subsequent events through December 31, 2012, the date which the financial statements were available for issue.

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The ARC of St. Mary  
Centerville, Louisiana

We have audited the financial statements of the ARC of St. Mary (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the ARC of St. Mary is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the ARC of St. Mary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARC of St. Mary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ARC of St. Mary's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the ARC of St. Mary's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2012-1 in the accompanying schedule of audit results to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ARC of St. Mary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The ARC of St. Mary's response to the finding identified in our audit is described in the accompanying schedule of management's response and corrective action plan for current year findings. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors of the ARC of St. Mary, its management, and its grantor agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statutes 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Morgan City, Louisiana  
December 31, 2012

THE ARC OF ST. MARY  
Centerville, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

2011-1 Inadequate Segregation of Duties

The conditions giving rise to this finding are still present during the year ended June 30, 2012 and; therefore, this finding will be reiterated in the current audit as finding 2012-1.

THE ARC OF ST. MARY  
Centerville, Louisiana

Schedule of Audit Results  
Year Ended June 30, 2012

Part 1: Summary of Auditor's Reports

*Financial Statements:*

- i. An unqualified opinion has been issued on the ARC of St. Mary's financial statements as of and for the year ended June 30, 2012.
- ii. There was one deficiency in internal control over financial reporting disclosed during the audit of the financial statements. The deficiency was considered to be a material weakness.
- iii. There were no material instances of noncompliance reported during the audit of the financial statements.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2012-1 Inadequate Segregation of Duties

CONDITION: Due to the limited number of personnel performing administrative functions, the ARC of St. Mary does not have adequate segregation of duties within its accounting and financial functions.

CRITERIA: *Internal Control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Additionally, Statements of Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The cause of the condition is the fact that the ARC of St. Mary does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud may occur and not be prevented and/or detected.

RECOMMENDATION: The Board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed the benefits. No additional response is deemed necessary.

THE ARC OF ST. MARY  
Centerville, Louisiana

Schedule of Audit Results (continued)  
Year Ended June 30, 2012

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2012, The ARC of St. Mary did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.



THE ARC OF ST. MARY  
Centerville, Louisiana

Management's Response and Corrective Action Plan for Current Year Findings  
Year Ended June 30, 2012

2012-1 Inadequate Segregation of Duties

The Board has determined that it is not economically feasible to hire additional personnel. At the present time the Director is handling the duties under the oversight of the Board.